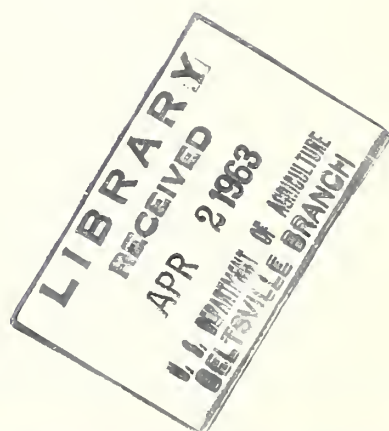


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Prospects for Foreign Trade in



**DAIRY CATTLE AND DAIRY
AND POULTRY PRODUCTS**

Foreign Agricultural Service
UNITED STATES DEPARTMENT OF AGRICULTURE
MARCH 1963

CONTENTS

	Page
World situation:	
Dairy	1
Poultry	1
U. S. export trade:	
Dairy cattle	2
Dairy products	3
Poultry meat	3
Market development activities:	
Cooperative action	4
Dairy cattle	4
Dairy products	5
Poultry products	7
Special export problems:	
Poultry products	9
Dairy products	10

PROSPECTS FOR FOREIGN TRADE IN DAIRY CATTLE AND DAIRY AND POULTRY PRODUCTS

WORLD SITUATION

Dairy

World milk production in 1962 was again higher, up about 1 percent over 1961. Larger milk cow numbers and favorable weather conditions in most major dairy producing countries were the major factors contributing to increased output. Production in North America continued to rise, as output in the United States and Canada reached record highs.

Consumption of fresh fluid milk did not increase sufficiently in the major producing areas to absorb the added production, and larger supplies of milk were available for processing into butter, cheese, canned and dried milk. The bulk of the manufacturing milk went into butter and nonfat dry milk.

Butter output in the major producing countries in 1962 reached an estimated 11.1 billion pounds, up approximately 3 percent from 1961. Cheese production was moderately higher, output of canned milk about unchanged. Production of nonfat dry milk was again higher, while that of dry whole milk continued to decline.

World exports of dairy products in 1962 were up slightly, despite quota limitations imposed by the United Kingdom on butter trade. Larger shipments to West Germany and Italy, the second and third largest markets, more than offset the reduced exports to the United Kingdom. Trade in cheese continued to expand, as shipments from Australia and New Zealand rose substantially. The United Kingdom and West Germany, the principal markets, accounted for the bulk of the increase.

World shipments of nonfat dry milk reached a new record high. Exports from the United States rose sharply in response to greater use and acceptance of this product. Nonfat dry milk is being used more extensively in welfare and school lunch programs abroad, encouraged to a large extent by U. S. Government plans. U. S. exports of condensed and evaporated milk were about unchanged, while shipments of dry whole milk continued to decline.

Assuming normal weather conditions, the prospects are for a continued high level of milk production in 1963. Because of increasingly restrictive trade practices in milk-deficit areas, export outlets for some dairy products, particularly butter, are extremely limited. Sharp price reductions, or greater use of consumer subsidies, may be required to reduce or prevent a further buildup of excessive stocks.

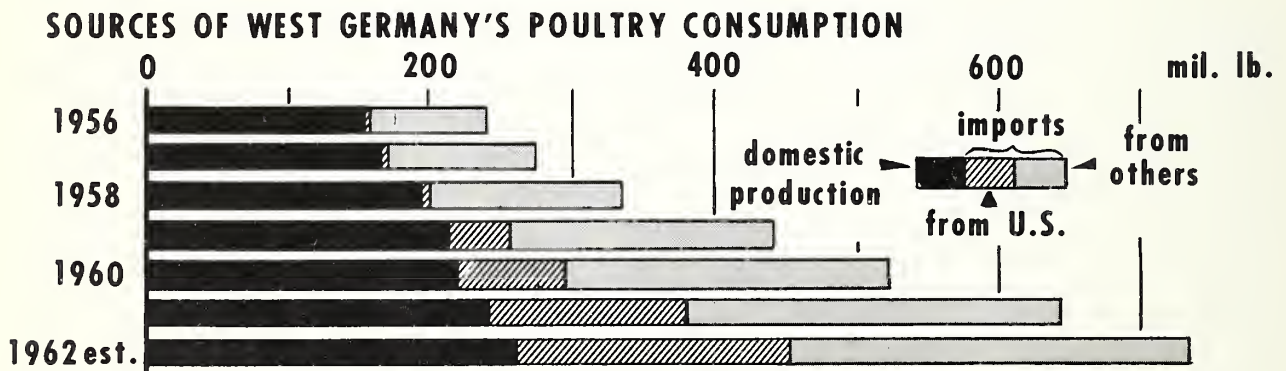
Poultry

World poultry meat and egg production continued to expand in 1962. The rise in egg output was most noticeable in the developing countries, while meat production received primary emphasis in the highly industrialized countries. In Western Europe, output of poultry meat increased for the sixth consecutive year. In North America, total production of poultry meat was reduced slightly from the record level of 1961. This was the first decline recorded in this area

since 1955. The 1962 broiler production was about the same as in 1961, but the turkey crop was down about 15 percent in the United States and 8 percent in Canada.

World trade in poultry meat was at a new record high as demand in West Germany continued strong, and exports to that market from major suppliers moved in unprecedented volume, particularly during the first half of 1962. Following implementation of the Common Market's poultry regulations, shipments to West Germany declined sharply. While the volume of poultry moving in the second half of 1962 was off somewhat, nevertheless total shipments during 1962 were moderately higher than in 1961.

World trade in poultry meat will probably continue at a high level in 1963, but the sharp upward trend, in evidence during recent years, appears to have been interrupted in mid-1962. Because of the importance of the European Economic Community (EEC) countries as a market for poultry, the level of trade during the next few years will be determined largely by Common Market decisions concerning internal prices and policies governing imports from third (nonmember) countries.



U. S. EXPORT TRADE

Dairy Cattle

U. S. exports of dairy cattle for breeding purposes in 1962 totaled roughly 11,000 head. This was a decrease of almost 3,000 head under 1961. The decrease was caused largely by the absence of exports to Cuba, which amounted to 3,467 head in 1961. Leaving out of account this quantity, there was a net increase of about 600 head. Mexico was the largest market for U. S. dairy cattle for the sixth straight year, with number of head purchased down slightly from 1961, but in value, her imports were \$350,000 more by the end of the first 11 months of 1962 than for 12 months in 1961. This indicates the quality of animals exported is improving. The second largest customer for U. S. dairy cattle was Canada, with roughly 1,200 head of cattle. A new factor of considerable importance was the entry of the Republic of Korea into the market for U. S. dairy cattle. Their total was over 800 head, for third place of all the 28 countries buying U. S. dairy cattle. Venezuela's purchases amounted to only 50 percent of those the country made in 1961.

Dairy Products

Exports of U. S. dairy products on a whole-milk (butterfat) basis totaled about 1.2 billion pounds in 1962, compared with 0.7 billion pounds in 1961. Exports of the principal whole milk items were up from the previous year, with shipments of butter showing the sharpest increase. The major part of the butter exports moved under special export programs. Canned milk exports were again lower, as shipments of evaporated milk to the Philippines continued to decline. It is likely that the downtrend in shipments to this market will continue as several plants in the Philippines, producing filled milk for the domestic market, continue to expand output.

Because of increased production of bulk fresh and processed milk in Venezuela, the principal market for dry whole milk, exports of this item continued to decline in 1962. Exports of nonfat dry milk were at a new record high of almost 900 million pounds. About two-thirds of the total were donation shipments under Titles II and III of Public Law 480. However, commercial exports, dollar sales, and shipments under government programs handled through private trade channels were also all substantially higher.

Poultry Meat

World trade in poultry meat in 1962 was at a new record high as demand in West Germany remained strong, and exports from major suppliers moved into that country in unprecedented volume until implementation of the Common Market's poultry regulations. Then, shipments declined sharply, particularly those from the United States. Part of the drop in West Germany was due to advance buying in the first months of 1962 by that country's importers, in anticipation of the higher import levies and prices which were to go into effect in the second half of the year.

Despite the sharp drop in shipments to West Germany, U.S. exports to all areas were up somewhat for the year 1962.

Exports of poultry meat by major suppliers, 1957-61

Country of export	1957	1958	1959	1960	1961 <u>1/</u>
	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>	<i>Million pounds</i>
United States . . .	41.9	51.3	125.7	176.6	248.0
Netherlands	65.5	76.0	<u>2/</u> 98.4	<u>2/</u> 125.8	135.7
Denmark	30.3	38.6	55.4	75.4	107.7
Poland	23.1	26.6	33.6	30.8	<u>3/</u> 32.0
Hungary	19.0	19.9	24.9	22.2	<u>3/</u> 27.0
Others	37.9	35.4	34.6	<u>2/</u> 38.8	<u>3/</u> 41.9
Total	217.7	247.8	<u>2/</u> 376.6	<u>2/</u> 459.6	592.3

1/ Preliminary.

2/ Revised.

3/ Partially estimated.

MARKET DEVELOPMENT ACTIVITIES

Cooperative Action

Soon after the enactment of Public Law 480, the dairy and poultry industries chose cooperators to work with the U. S. Foreign Agricultural Service in carrying out market development activities under Section 104(a) of Title I of this law. The Dairy Society International (DSI) cooperates with FAS



At the 1962 annual meeting of Dairy Society International, industry representatives who traveled overseas in market development activities during the past year receive certificates. A total of 78 persons with distinguished dairy industry background have donated their services since the beginning of the program.

in all dairy-product market development activities. In late 1962 The American Dry Milk Institute signed a program agreement to carry out additional specialized dairy product promotion activities, beyond its current support of DSI. Poultry and poultry products interests are served through the Institute of American Poultry Industries (IAPI) as the representative of the U. S. poultry industry's International Trade Development Committee (ITDC). Exports of dairy cattle are promoted under a program agreement with the Purebred Dairy Cattle Association, and carried out through its five individual member associations. The year 1962 was highlighted by increased participation in this program by all these cooperators.

Dairy Cattle

The dairy cattle breed associations continued to concentrate on historical Latin American markets in 1962. During the year, ten official representatives of these groups visited Latin American countries to confer with dairy cattle

breeders, to classify cattle, and to judge dairy cattle classes at leading livestock expositions. These activities have continued to encourage Latin American purchasers to look to the United States as a primary source of herd foundation stock. In the fall of 1962, a Peruvian purchasing team, the second to come to the United States under such a project, purchased about 300 head of dairy cattle from various U. S. breeding farms.

One of the breed associations feels there is an excellent market in the Far East, and continued surveys and promotion activities were carried out in this part of the world during the past year. A representative of the American Jersey Cattle Club accompanied a shipment of cattle to Okinawa and is remaining there to help local breeders in the establishment of a herd.

Cooperating breed associations have sent representatives on 60 overseas assignments since the beginning of this program.

The awarding of trophies through the offices of various U. S. agricultural attachés at principal Latin American expositions was continued during 1962, and serves as an excellent means of increasing good will and broadening interest in imported U. S. stock.



FAS works with dairy cattle breed associations to promote the sale of high quality breeding stock abroad. Here, a Colombian breeder receives an exhibition trophy for his excellent cattle with U.S. blood lines.

Dairy Products

Early in the year, the managing director of DSI traveled to the Near East and Far East on a supervisory visit. Included was continuing of arrangements for carrying out a project to determine new uses for dairy products in local diets in Pakistan and India. Possibilities were investigated for future market development activities in Burma, Indonesia, Hong Kong, and Japan, and inspection of the existing Thailand project was continued.

Overseas promotion during 1962 included showing of specialized dairy products from the United States. Right: in Manchester, trade fair visitors sample instant chocolate drink made with nonfat dry milk. Below: fair visitors learn how instant nonfat dry milk can be used in the kitchen to prepare many dishes. At each such exhibit, those in attendance are encouraged to buy a package of the product for reconstituting at home.



Last year marked the second under the current Thailand project in which FAS and DSI have jointly promoted local use of the dairy products manufactured from imported U. S. recombining ingredients. The full-time DSI director reports that sales in that country have shown an increase for the second consecutive year, and that fluid milk is being increasingly accepted as a food. (Sales of fluid milk are gaining there, under promotional activity, more rapidly than those of frozen products.)

Later in the year, the assistant administrator of DSI and two dairy industry men traveled to Venezuela to investigate shrinking sales of U. S. dry whole milk and cheese to this area. The team concluded that increased domestic production and improving marketing channels will shortly place Venezuela in a self-sufficient dairy product position.

As an additional activity, DSI supported the Project HOPE ship when it visited Peru this past summer. Recombined milk produced on the ship was promoted in the local area through an educational booklet printed in Spanish.

The cooperative project to promote recombined dairy products in Chile completed its first full year of operation. While the quantities of nonfat dry milk and anhydrous butterfat commercially imported from the United States as a result continue to be small, there is a trend toward ever-increasing shipments. A plant located at Antofagasta purchased 223,000 pounds of nonfat dry milk and 53,000 pounds of anhydrous butterfat through last summer, to carry on its milk-recombining operation. Production in April 1962 rose to 70,000 liters per month. Cheese is also being sold there. Ice cream manufacture was scheduled to start in 1962. Plant officials estimated that an additional 3,000 liters of milk will be used per day when the ice cream operation finally reaches its full capacity. The managing director of DSI visited Chile in late 1962 to inspect the Antofagasta operation, and determine what additional promotional support may be necessary. In addition, DSI continued to investigate the possibility of extending promotional support to two other new Chilean plants importing recombining ingredients from the United States.

A project agreement was signed in 1962 to continue support of The Better Breakfast Foundation in Sao Paulo, Brazil, with its research and promotion of increased dairy product usage. A two-man DSI team visited Spain to investigate the possible nonfat dry milk market. Their report indicated ambitious Spanish plans for self-sufficiency in dairy products, but a good potential market for imported nonfat dry milk use, until such a self-sufficient level is reached. A second two-man team sent by the Society visited Nigeria, with a representative of the FAS Dairy and Poultry Division, to determine the level of potential dairy product shipments from the United States to this area.

DSI supported five FAS exhibits at international trade fairs in 1962. At them, instant nonfat dry milk and other dairy products were promoted in an effort to further expand commercial markets for these products in hard currency areas, as well as in milk-deficit countries.

Poultry Products

With the adoption of EEC regulations in Europe, it became apparent to IAPI that expanded promotional activities in our primary European poultry markets were necessary. Various staff assignments throughout Europe were made for this purpose. In 1962 an office manager was added to the European

Institute of American Poultry Industries develops U.S. markets abroad. Right: in 1962, when the program was expanded to include Japan, special freezer displays, showing the variety of U.S. poultry products available for export, were placed in many of the country's leading department stores. Below: an American chef, added to IAPI's European staff in 1962 to demonstrate poultry handling and preparation to fair visitors and institutional users, exhibits turkey boning at the Munich fair.



director's staff in Frankfurt, as well as a marketing specialist to concentrate on EEC regulations. An American chef was assigned to the IAPI European office for ten months to promote American frozen poultry among institutional users in England, Germany, Italy, Netherlands, Belgium, and Spain. As the program expanded, the Rotterdam office was designated as the BENELUX office to service Belgium and Luxembourg, as well as the Netherlands. The country director in Rome, who formerly supervised Spain and Italy, was designated as a full-time Italian director, and the assistant director in Madrid was given full-time responsibility for Spain and Portugal.

Early in the year the European director returned to the United States to attend IAPI's Fact-Finding Conference, and to meet with members of the U. S. trade to discuss ways of expanding, and better servicing, the European market. A two-man team visited the Far East to aid initial operations of the Japanese program, and to survey poultry markets in Hong Kong, Malaya, and the UAR. As a result of this visit, three promotional films are being prepared in Cairo to explain the advantages and preparation of U. S. frozen poultry, a new food in this market. To discuss regulations of the EEC which are having an adverse effect on U. S. poultry shipments, the chairman of the ITDC and the president of IAPI met with the FAS Dairy and Poultry Division Director and U. S. Secretary of Agriculture in Brussels in late 1962. In addition, the president of IAPI visited the Frankfurt headquarters and various country offices to inspect the program.

The IAPI European director visited Austria and laid plans for initiation of a promotion program in this market, after determining that only 60 percent of the total poultry consumed there is supplied from domestic production. The program, which started in December 1962, is designed to include point of sales material, and to establish a close relationship between the IAPI office in Frankfurt and Austrian importers.

During the year, IAPI supported six FAS exhibits at international trade fairs, as well as conducting three exhibits through the organization's overseas offices in Italy, Holland, Japan, Spain, and West Germany.

SPECIAL EXPORT PROBLEMS

Poultry Products

During 1962, exports of U. S. poultry products again established a new record. Although the major outlet continues to be West Germany, exports to other major buyers and also growing, with principal markets in the Caribbean Islands, Switzerland, Hong Kong, the Netherlands, and Canada.

It is now becoming clear that the import fees and levies promulgated by the EEC are designed to give very high protection to poultry producers within the Community. It has been said that the sluice-gate price for poultry, for instance, is based on a desire to protect peasant-type broiler production—which means very small flocks and not the mass production techniques used in the United States.

During the last 5 years, broiler production has expanded rapidly in Italy, the Netherlands, Belgium, France, and West Germany. The levies and fees now in force provide such a degree of protection that broiler production throughout the Community is expected to expand even more rapidly in the future.

IMPORT CONTROLS OF FOREIGN COUNTRIES FOR POULTRY PRODUCTS, 1962

AREA AND COUNTRY	POULTRY MEAT	EGGS	AREA AND COUNTRY	POULTRY MEAT	EGGS	TYPE OF CONTROL *
Common Market			The Americas			<input type="checkbox"/> No import controls
Belgium-Lux.			Argentina			<input checked="" type="checkbox"/> Imports subject to licensing
France			Bahamas			
Germany, F. R.			Brazil			
Italy			Canada			
Netherlands			Colombia			
Other Europe			Jamaica			
Austria			Mexico			
Denmark			Trinidad			
Greece			Venezuela			
Ireland			Asia and Oceania			
Norway			Australia			
Portugal			Hong Kong			
Spain			Japan			
Sweden			Malaya			
Switzerland			New Zealand			
United Kingdom			Philippines			

*Countries may have more than one type of control, but only the dominant one has been listed

However, U. S. poultry is continuing to become more firmly established in the other important markets outside the EEC, with little competition except from domestic production in each country. U. S. poultry packers are learning to adapt their packaging procedures to the requirements of foreign buyers, so that the reputation of U. S. poultry is constantly being enhanced. Because the major market in Germany is likely to shrink substantially in the future, vigorous efforts are being made to create new market outlets in other countries.

Dairy Products

The gap between milk production and the effective demand for dairy products continued to widen in 1962. As in other agricultural enterprises, many countries struggling with burdensome surpluses, while others have serious shortages. Over the past decade, world milk production (cow and buffalo) has increased by approximately 2 percent per year. To a large extent these increases have been in countries with advanced dairy industries where milk products consumption is already at a very high level, and market development has limited possibilities. In the developing countries, milk production has shown a tendency to increase, but the population in many of these countries is growing so rapidly that less milk is available on a per capita basis.

National dairy policies continue to exert a major influence on the trade in dairy products. Domestic market protection in nearly all countries is characteristic of the world market for dairy products. As a result, the international market continues to narrow and prices received for dairy products are at low levels. Because of the shrinking market and low price levels, many countries are finding it necessary to assist the industry through Government programs that increase exports.

The shortage of foreign exchange severely limits the ability of developing countries to import dairy products. In these countries, foreign exchange is rationed carefully in accordance with urgent national development plans. The potential market for dairy products in these countries is enormous, as per capita milk consumption on a milk-equivalent basis in many of these countries is estimated to be about one-tenth of per capita consumption in countries with advanced dairy industries. Some part of this difference is attributable to different food habits and lack of knowledge of the nutritional benefits to be derived from milk. Equally important, however, is the fact that most developing countries cannot afford to import milk in the quantities needed. As a result of the acute shortage of foreign exchange, sales of dairy products for local currencies under Title I of Public Law 480 increased substantially in 1962.

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